

<p align="center">2003-2004 ANNUAL REPORT</p>

SPECIAL REVENUE FUNDS (CONT'D.)

Convention and Cultural Affairs Fund

The Convention and Cultural Affairs Fund was established to account for operations of the San José McEnery Convention Center, the Center for the Performing Arts (CPA), Civic Auditorium, Montgomery Theater, Exhibit Hall and their related facilities and grounds. The fund also contains the operating budget and several grant programs for the Office of Cultural Affairs.

Convention and Cultural Affairs Fund

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 16,502	\$ 14,454	(2,048)	(12.4%)
<i>Expenditure</i>	19,180	18,836	344	1.8%
<i>Fund Balance (est. *)</i>	366 *	(874)	(1,240)	(338.8%)

The Convention and Cultural Affairs (CCA) Fund ended the year well below expected levels due to lower than anticipated revenue collections. Revenue collections were \$2.05 million below the modified revenue estimate. This was mainly due to lower than expected space rental and concessionary income for the year as well as a lower than budgeted transfer from the Parking Fund (\$139,000) due to reduced activity levels. The overall occupancy rate for the Convention Center was approximately 70% for 2003-2004, which is down from the 80% that was realized in 2002-2003.

Expenditure savings of \$344,000 reflect savings in a number of categories including personal services (\$26,000), and non-personal/equipment expenses (\$280,000).

The ending fund balance variance of \$1.2 million reflects the lower than anticipated revenues, partially offset by expenditure savings. In developing the 2004-2005 Adopted Operating Budget, a shortfall in revenue was assumed, but only at a \$1.6 million level. The revenue shortfall significantly exceeded that level by \$1.3 million, reflecting a much greater than anticipated fall off in activity. This resulted in an overall fund balance shortfall of approximately \$874,000. In order to correct the negative fund balance in this fund, and provide a minimum level of fund balance to start the 2004-2005 fiscal year, a transfer from the General Fund to the CCA Fund of \$975,000 is recommended as part of this report.